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SECURITY INFORMATION

2 January 1952

CIA No. 49481
Copy No.

145

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Indonesia hoping for more bargaining power as result of Soviet-Indonesia trade negotiations: Indonesia is hoping to secure more bargaining power with the US as a result of negotiations now going on in London between Indonesian and Soviet trade representatives, according to a semi-official Indonesian newspaper. The Chief of the Foreign Department of the Indonesian Economic Ministry reportedly arrived after a hurried summons to participate in talks on establishing commercial relations with the USSR. (U Djakarta 910, 26 Dec 51)

Comment: The first reliable information concerning proposed Soviet-Indonesian negotiations was a report of a Soviet offer made at the ECAFE conference in Singapore to barter finished products for raw materials.

Although the USSR recognized the Government of Indonesia in January 1950, neither diplomatic nor economic relations have been established.

2. Soviet stand on UN's German election proposal considered: Walter Ruebel, a member of the political committee of the East German Christian Democratic Union, has asserted that his committee reached the conclusion that the Soviet Union will make a compromise on the Western proposal for supervision of elections by the United Nations. He also stated that enough "reliable" politicians would receive posts in a new government to insure the neutralization of Germany. (S ~~SECRET~~ Berlin, 28 Dec 51, C-3)

25X1A

Comment: Ruebel is not considered to be in a position to know Soviet intentions. However, while it is unlikely that the Soviet Union would accept any UN-supervised elections in its zone, a Soviet-sponsored "compromise" designed to continue talks and thereby delay West German rearmament cannot be wholly discounted.

3. Moscow speaker mentions second postwar five year plan: An Embassy officer attended a lecture in Moscow on 25 October during the course of which the speaker observed that "the first year of the second postwar five year plan is being successfully overfulfilled." (R Moscow Desp 298, 2 Nov 51)

Comment: The Embassy comments that although a fifth five-year plan has not been officially announced by the Soviet Government, the above remark might be construed as additional evidence that such a plan actually exists and is already in operation.

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4. Committee to aid postwar hydroelectric construction: A Pravda editorial entitled "Science and Socialist Production" recently referred to a committee for aid in the construction of hydroelectric power stations, canals, and irrigation systems. This committee is attached to the Presidium of the Academy of Sciences and is said to be coordinating and controlling this work.

According to Pravda, the plans of various scientific research establishments are not always coordinated and these plans and results are "seldom" discussed with the leading workers and the heads of the construction sites. This insufficient contact leads to a situation where scientific workers do not solve important problems "in time." (R FBIS, 28 Dec 51)

Comment: This is the first reference to a committee to aid in the construction of the postwar projects and indirectly implies a recognition that the program is definitely behind schedule.

5. East German Communist leader Ulbricht reported in Moscow: According to East Berlin government circles, a number of talks were started shortly before Christmas in Moscow by representatives of the East bloc countries. Walter Ulbricht, East Zone Communist leader, is said to be representing the Soviet Zone at these conferences.

The agenda is reported to include the German question and an explanation of the Soviet Union's future political course. (R FBIS, 28 Dec 51)

Comment: Ulbricht reportedly returned to Berlin on 30 December, but his visit to Moscow has neither been confirmed nor denied by official East German sources.

While a Polish and Czech trade delegation arrived in Moscow after Christmas, there have been no reports of East European representatives there during Ulbricht's visit. If he did go to Moscow, it was probably to discuss German affairs exclusively and not in connection with a Satellite conference.

6. Czech delegation scheduled to discuss oil sales agreement in Tehran: The Czech Charge in Tehran has recently held talks on concluding an oil agreement with Iran. According to an Iranian official, it was agreed that a Czech delegation should come to Tehran as soon as possible to negotiate such an agreement. (P Tehran 2335, 26 Dec 51)

Comment: As early as mid-September the Iranian Government reported

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that it was negotiating for the sale of oil to Czechoslovakia and Poland. An oil sale to Czechoslovakia would doubtless appeal to Mossadeq, both as a bargaining weapon against the West and for its effect on the current Iranian elections. Mossadeq may hope, moreover, that the sale of oil to Czechoslovakia, a former customer of the AIOC, would be considered an exception under the terms of the Battle Act. The USSR, although incapable of importing more than a small fraction of Iranian oil production in the near future, has probably encouraged the Czech Government to bid for an oil agreement. Aware of the propaganda value of such a move, Moscow may also see benefits to Soviet policy that would come from a continued intransigence on the part of Iran vis-a-vis the West, with its concomitant results on the deteriorating internal Iranian situation.

7. New antiaircraft equipment in Soviet Zone of Germany: The Commander, US Air Forces in Europe (CINCUSAFE) reports that according to first hand observation four antiaircraft guns of a caliber not less than 100 millimeters are located at Zerbst airfield in the Soviet Zone of Germany. According to CINCUSAFE, these guns -- the first reported since the completion of construction work carried out on the airfield during the summer -- apparently replace the 85 mm type AA guns emplaced at this point in December 1950 and removed in May 1951. (S CINCUSAFE Wiesbaden, Germany, Weeka 52, 28 Dec 51)

Comment: This would indicate possible reequipping of AA units in the Soviet Zone of Germany with larger caliber weapons. Recent reports have indicated that Soviet light automatic weapons units in occupied Germany are being reequipped with new guns. A new AA gun with a caliber of approximately 100 mm has been observed in the Moscow area, and the new unidentified piece in Germany may be of the same type.

8. CZECHOSLOVAKIA. US Embassy source reports civil disturbances: A fairly reliable US Embassy source in Prague reports several cases of arson in Karlovy Vary on Stalin's birthday. One of the buildings burned was the Pupp Hotel, which was to have been taken over by the military in 1952. The same source reports that workers in the Skoda Pilsen works refused to listen to a dedication speech by Premier Zapotocky in which the Skoda Pilsen plant was renamed the Lenin Works. The US Embassy comments that these actions, if true, are a more forceful demonstration against conditions in Czechoslovakia than any previously made by Czech workers. [REDACTED] 25X1A

Comment: The Czech press on 29 December admitted that a fire had destroyed portions of the Pupp Hotel and stated that those whose grave negligence caused the fire would be prosecuted. The renaming of the Skoda Pilsen works has not been verified.

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9. Redrafted 1952 economic plan boosts production targets: The new Minister of State Planning has announced that, as a result of 1951 successes, the 1952 plan has been redrafted and targets have been substantially increased. The revised plan pays special attention to heavy industry including fuel, power, mines, steel, and engineering. The volume of industrial production is slated to increase 21 percent over 1951. The government will concentrate on Ostrava during 1952 in an attempt to increase production and housing projects for miners.

By the end of 1952, 70 percent of Czech foreign trade will be within the Soviet orbit as opposed to 55 percent in 1950.

The Minister also warned that stricter economic discipline would be necessary to meet a planned 28 percent increase in capital investments. (R FBIS, 28 Dec 51)

Comment: The new plan clearly indicates a hard year ahead for the Czech people. The revised plan, far from being built on last year's successes, concentrates on the areas in which the 1951 plan was underfulfilled. It also means that the government's "get-tough" policy with the workers, which was initiated last fall, will be intensified. The increased program of capital investment and construction should aggravate the present shortage of consumer goods.

This is the first policy statement of Josef Pucik, the new Minister of State Planning, who replaced Dr. Dolansky when the latter was kicked upstairs on 22 December. The fact that the plan seems to have been extensively changed underlines the possibility that Dolansky, as Minister for State Planning, shares with Slansky the responsibility for economic failure.

10. HUNGARY. Earlier call-up of next conscription classes indicated: The US Military Attache in Hungary reports that some members of the 1932 conscription class received physical examinations at the time of their registration for conscription in December. On the basis of the pattern of conscription in Hungary during the past few years, the call-up of the class of 1932 would not be due until the fall of 1952. Since physicals are usually given just prior to induction rather than at the time of registration, the MA believes that earlier call-up of this class may be contemplated. The MA also notes that earlier call-up of the class of 1932 would permit release of the class of 1928 without reducing the current strength of the Hungarian Army. [REDACTED]

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Comment: The strength estimate of the Hungarian Army has been increased, at least temporarily, by 50,000 to a total of 150,000 on the

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basis of a relatively large call-up of conscripts in early November and the absence of evidence of releases. An earlier call-up of the class of 1932 could indicate a further expansion of the Hungarian army or, if related to the release of the class of 1928, at least maintenance of the army at its present expanded strength.

11. POLAND. New emphasis placed on shipbuilding: A charter for workers in the shipbuilding industry, recently announced in Poland, provides higher wage scales, improved pension benefits, and other forms of economic premiums. The US Embassy in Warsaw comments that the charter shows the long-range interest in Poland in the creation of a merchant marine and also implies that the Soviet bloc's sea trade relies upon it because of the growing impossibility of getting ships elsewhere. (R Warsaw, 14 Dec 51)

Comment: Last summer the Polish Government announced a somewhat similar program for workers in Poland's coal mines in an endeavor to attract more laborers into the mines immediately. It seems possible that in addition to a long-range interest in creating a large merchant marine, the Polish Government is taking these steps because of some more immediately contemplated plan which demands a rapid expansion of the labor force in the shipbuilding industry.

12. YUGOSLAVIA. Yugoslavia cuts value of dinar: The Yugoslav Government on 1 January cut the value of the dinar -- pegged by the government since the end of the war at the official rate of 50 to the dollar -- to 300 to the dollar.

International Monetary Fund authorities, in approving the terms of the devaluation, state that they "regard the action as the most profound in a series of changes that ultimately would permit freedom of business decisions by a large number of autonomous enterprises within a socialist framework."

The consensus of informed opinion views the move in the context of governmental economic and administrative decentralization reforms, and interprets it as an effort to improve Yugoslavia's trade deficit by assigning a more realistic value to Yugoslav exports. An IMF analysis, supporting the need for devaluation, states that the new rate should be able to move all important Yugoslav exports and would be particularly attractive for agricultural exports; furthermore, it should exercise a considerable restraint on imports. (U N.Y. Times, 29 Dec 51)

Comment: Devaluation is part of the general Yugoslav program

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designed to cope with its pressing economic problems. The economic success of this program, will, however, depend upon a number of complex variables, e.g., the intensity of demand for Yugoslav exports, the extent of Yugoslav ability to increase or divert production for exports, etc.

The assumption that devaluation constitutes additional evidence of Yugoslavia's drift away from the dictates of Communist dogma may be misleading. Yugoslav motives underlying the recent series of economic reforms probably reflect the exigencies of economic crises. There is no reason to believe that Tito plans to abandon the effort to achieve the long-term goal of "socialist independence through economic self-sufficiency." Consequently, devaluation should be analyzed in the light of the need for increased production, the overriding objective common to all the new economic approaches.

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SECTION 2 (EASTERN)

1. EGYPT. Egyptian rioting continues on Suez issue: The continuation of small but violent student demonstrations in Egyptian cities has resulted in the closing of secondary schools as well as universities. The Egyptian press, meanwhile, is publishing the most exaggerated stories of incidents in the Canal zone. (R Cairo 950, 28 Dec 51)

Comment: Public opinion has become so inflamed that the government, which originally promoted support for its own position, is now finding it increasingly difficult to maintain public order. The current rash of demonstrations, with their new note of toughness, was touched off by King Farouk's staff appointment of two officials generally considered pro-Western.

2. Egyptian King urges Prime Minister to settle Anglo-Egyptian dispute: King Farouk has given the Egyptian Prime Minister until 15 January to formulate a reasonable program for settling the Anglo-Egyptian dispute, [REDACTED] 25X1C

25X1C [REDACTED] If a break develops between the two over this issue, the Prime Minister is determined not to resign but to force the King to dismiss him. (S [REDACTED] 29 Dec 51)

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Comment: The King has indicated on several recent occasions that he favors the appointment of a new government more amenable to effecting a settlement with the British. The considerable resentment aroused by his appointment of two pro-Westerners to the royal Cabinet last week, however, makes it unlikely that the King will dismiss the Prime Minister in the immediate future.

3. SAUDI ARABIA. Saudi Arabian King denounces Arabian American Oil Company: King Ibn Saud, in a heated interview with a senior Arabian American Oil Company official, accused the company of not living up to agreements and of indulging in mere words and lies. This outburst occurred when ARAMCO requested a delay in top-level talks scheduled to begin in a few days in Saudi Arabia, on the grounds of illness of two company officials. (S Jidda 337, 27 Dec 51)

Comment: Recent reports have pointed out that the Saudi Finance Minister's tough and unfriendly attitude toward ARAMCO was causing it great concern. This outburst of the King makes the situation more serious, since he has always been a staunch friend of the company.

An open break between Saudi Arabia and ARAMCO might have serious repercussions on oil negotiations throughout the Near East.

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4. IRAQ. Iraq nationalizes two subsidiaries of the Anglo-Iranian Oil Company: Iraq's agreement on 25 December with the Khanaqin and Rafidain Oil Companies transfers the ownership of these two subsidiaries of the Anglo-Iranian Oil Company to the Iraqi Government for the rumored price of 850,000 pounds sterling. The Khanaqin Oil Company will receive an annual management fee of 150,000 pounds sterling.

According to the US Embassy in Baghdad, AIOC prefers the somewhat harsh terms of this negotiated settlement to an alternative proposed by Prime Minister Nuri whereby the favorable features of an eventual agreement between Iran and AIOC would also apply to AIOC's subsidiaries in Iraq. The Embassy approves AIOC's decision on this matter, and adds that the new agreement will give the Khanaqin Oil Company a stronger moral position in Iraq and also aid in the conclusion of a settlement between Iraq and the large Iraq Petroleum Company. (C Baghdad 489, 27 Dec 51)

Comment: This agreement, involving two small companies and the Iraqi Government, may have a salutary effect on Near Eastern oil problems, in that it shows that equitable settlements may be achieved through negotiations.

5. INDIA/NEPAL. Future diplomatic relations with Tibet: According to the Nepalese Ambassador to India, both Nepal and India are prepared to relinquish special trade and extraterritoriality privileges they now hold in Tibet if they are permitted to retain their diplomatic representatives in Lhasa. (S New Delhi unnumbered, 28 Dec 51)

Comment: The nature of current Chinese Communist behavior in Tibet suggests that Nepalese and Indian special privileges will be abolished before they can be used as bargaining factors. This will leave China free to insist upon opening an embassy in Nepal in return for Nepalese representation in Lhasa. Since Nepal, India, and the United States oppose the establishment of a Chinese Embassy in Katmandu, the net result of negotiations is likely to be merely the withdrawal of the Nepalese representative from Lhasa. Furthermore, since India has a diplomatic mission in Peiping, the Chinese may argue that Indian political and economic relations with Tibet can be satisfactorily handled through the Chinese Foreign Office or the Chinese consulate in Calcutta.

6. INDIA. Another loan of one million tons of US grain needed in 1952: The Government of India has issued an estimate that five million tons of food-grains will have to be imported in 1952. Of these, one million tons will be required as a loan from the United States. (S New Delhi, Weeka 52, 28 Dec 51)

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7. Communists win their first seat in the national government: Indian Communists have won their first seat in the national Parliament by decisively defeating a Congress Party candidate in the Travancore-Cochin State general elections. The Communist candidate, Parameswaran Nair, ran on a leftist united front ticket. (U News Ticker, 29 Dec 51)

Comment: Heretofore, the Communists have not been represented in the Indian national government.

8. PAKISTAN. First jute cloth produced in East Bengal: In late December 1951, it was announced that the first jute cloth to be manufactured in Pakistan had been produced during a test run of newly-installed looms in an East Bengal jute mill. (C Karachi, Weeka 52, 28 Dec 51)

Comment: Heretofore, Pakistan has had to send its raw jute to India for processing. Construction of jute mills in Pakistan will lessen that country's dependence upon India for manufactured jute goods. At the same time, however, increases in India's raw jute production are making that nation less dependent upon Pakistan as a source of raw material.

9. CEYLON. Substantial rubber orders placed for shipment to Poland: Substantial rubber orders are being placed in Colombo through London for delivery to Gdynia, Poland. Five hundred tons are reportedly already booked for sailing aboard the Danish vessel Lalandia on 7 February. During the first eleven months of 1951 an approximate total of only 700 tons was shipped from Ceylon direct to Poland. (C Colombo 395, 28 Dec 51)

Comment: It has been suggested previously that Communist China could obtain Ceylonese rubber exported to Poland and transshipped at Gdynia more cheaply than it could purchase it at premium prices and ship it directly from Ceylon. (See Daily Digest, 11 Dec 51.) A large increase in Ceylonese rubber exports to Poland during the next few months would indicate that this procedure was being followed.

10. BURMA. Chinese Embassy reportedly concerned over anti-Communism among Chinese: The large turnout of Chinese for Burmese National Day on 23 November, which was sponsored by the anti-Communist Union Chinese League, has been a source of concern to the Chinese Embassy in Rangoon, according to reliable information. The Chinese Embassy is reported to have supplied the local Chinese Chamber of Commerce with 10,000 rupees for the purpose of staging a spectacular pro-Communist parade on 4 January, Burma's Independence Day. (C Rangoon 604, 28 Dec 51)

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Comment: The fact that a considerable number of Chinese are willing to express their anti-Communist sentiment, despite Burma's uncertain future, strongly indicates that such sentiment is widespread among the Chinese in Burma.

11. Government offers to terminate ECA: The Minister of Cooperatives, Kyaw Nyein, acting as Government spokesman in Parliament, stated that ECA had been accepted because of the damage caused by the insurgents, and that it would be terminated if Than Tun, chief of the Burma Communist Party, would promise not to sabotage communications for three months. The US Embassy in Rangoon comments that Kyaw Nyein's statement was probably a maneuver to blame the insurgents for acceptance of ECA, appease left-wing Socialists, and counter-act Communist propaganda. (C Rangoon 604, 28 Dec 51)

Comment: Assuming that Kyaw Nyein's statement was no more than a maneuver, it nevertheless clearly indicates the leftist sympathies and underlying anti-US sentiment held by most Burmese leaders. Moreover, in view of the popularity among Burmans of the World Peace Council resolution calling for a settlement of "struggles" in Southeast Asia, Kyaw Nyein's action may indicate that the Burmese Government, despite public denials, is willing to negotiate a settlement with the Communists.

12. Hill leaders hold political meetings: Leaders of the frontier areas have recently held a series of meetings, many of them secret. The US Embassy in Rangoon has been informed that they have agreed that their representatives in the new Parliament shall vote as a bloc. The Embassy comments that this action was dictated by a desire to strengthen Premier Thakin Nu and to present a united front as a means to maintain their local brand of feudal government. (C Rangoon 604, 28 Dec 51)

Comment: The frontier people have always been suspicious of the Burmans, and they are no doubt concerned for their future, particularly in view of the tightened Socialist control over the government as a result of the elections.

13. THAILAND. Split in ruling clique presages early coup in Thailand: "High Thai officials" in ostensible support of the King may be expected to attempt a coup d'etat "at any time" against the present military regime.

25X1C [REDACTED] mounting tension between Police General Phao and Assistant Army Commander Sarit is forcing early action and the "heaviest fighting to date" will probably occur.

The King is in danger of assassination at the hands of the ruling clique because of his firm opposition to its demands for constitutional changes.

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Comment: The military coalition which seized the government on 29 November has as its objective drastic constitutional changes that would enhance its dictatorial control. Earlier intelligence that the coalition would maintain its solidarity for at least several months was apparently inaccurate.

Other recent reports have indicated a widening rift between Phao and Army Commander Phin on the one hand and General Sarit on the other. Sarit is said to be associating his military faction with certain civilian opposition elements and with Premier Phibun. This is the coalition of "high Thai officials" who are probably plotting against the military regime.

14. INDONESIA. National Party leader recommends unilateral denunciation of Dutch-Indonesian agreements: The chairman of the Indonesian National Party has recommended the recall of the Indonesian delegation from The Hague and the unilateral denunciation of the Round Table Conference agreements. He said this action should be taken if Indonesian detention of two Dutch arms shipments causes the Netherlands to "let the Union and the New Guinea negotiations hang fire." (R FBIS Amsterdam, 26 Dec 51)

Comment: The National Party, which is represented in the coalition cabinet, officially supports the government's policy on The Hague negotiations. However, National Party leaders independently call for more drastic measures, hoping thereby to reap political prestige over such popular issues as West New Guinea and the Netherlands-Indonesian Union.

Although public opinion appears to be swinging away from the government's moderate policy, to date there have been no indications that the Indonesian delegation will be recalled from The Hague or that the government soon will resort to unilateral action regarding the Union.

15. INDOCHINA. Bridge built on possible invasion route to Indochina: Aerial photographs taken by the French Air Force reveal that a bridge capable of supporting railway equipment has been rebuilt this past summer over the Namti River, which forms the boundary between China and Indochina, near its confluence with the Red River. (S USAIRA Saigon AFC 157, 28 Dec 51)

Comment: This bridge forms an important link in the railroad from Hanoi to Kunming, one of the three major routes connecting China and Indochina. Much of this railroad has been inoperative during the past ten years. These photographs tend to confirm other evidence that reconstruction of the railroad is underway.

25X1C [REDACTED] flatcars pulled by motor vehicles fitted with flanged wheels are now operating over a fifty-mile section of this railroad in Viet Minh territory northwest of Hanoi.

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Comment: While precise assessment is impossible, there has evidently been some increase in the strength of Chinese forces on the border and inside Indochina. Increased material aid to the Viet Minh from China is accepted. There is no firm indication of a Chinese invasion in the near future.

17.

Peiping's propaganda does not indicate imminent invasion of Indochina: The US Consul-General at Hong Kong, finding unusual attention to Indochina in Peiping's recent propaganda, notes that such propaganda does not refer to US military aid to the French or to a French threat to the China frontier. The Consul-General feels that references of that nature would be a "logical prelude" if the Peiping regime intended to invade Indochina at this time. (S. Hong Kong 2021, 28 Dec 51)

Comment: Peiping's intervention in Korea was preceded by several months of denunciation of American aid to the Republic and the consequent threat to Communist China. While there is no assurance that Peiping would repeat this propaganda patten prior to invasion of another area, e.g., Indochina or Burma, Peiping might reasonably be expected to take a harder line than it yet has.

18. CHINA/INDIA. Indian Communists to contact Chinese Communists across Tibetan border: The Communist Party of India, at an October meeting in Calcutta, outlined a policy of coordination across the Nepal, Sikkim, and Bhutan borders with the Chinese Communists in Tibet,

25X1C

The meeting reportedly resolved to install wireless transmitters at points in Nepal, Sikkim, West Bengal (Kalimpong and Darjeeling) and Bhutan for the purpose of contacting the Chinese in Tibet, and to smuggle arms across the Nepal-Tibet and Sikkim-Tibet borders.

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Comment: As Chinese Communist forces have expanded through southern Tibet, plans for establishing Chinese military outposts along the southern border have been recurrently reported. It is said that one such outpost will be near Yatung, a few miles from the Sikkim border on the important Lhasa-to-India trade route. Evidence indicates that the Chinese Communists

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have been constructing a wireless network in southern Tibet. They are reportedly establishing a key radio station at Phari Dzong, about thirty-five miles north of the Sikkim border on the Lhasa-to-India road. Such installations would facilitate arms smuggling.

It appears that Communist control in Tibet is now stimulating co-ordination between the Chinese and Indian Communist Parties for infiltration and subversion of the Indian sphere.

19. CHINA. Kunming reported as Chinese Communist training center; Four unidentified artillery regiments and one tank regiment recently arrived in Kunming, [REDACTED] The 25X1A tank regiment consists of "26 to 30 armored cars plus nine tanks of less than six tons each." [REDACTED] troops in Kunming are 25X1A equipped with some Soviet-made small arms.

25X1A [REDACTED] 25X1A
[REDACTED] and
by the fact that the tank regiment apparently contains nothing larger than armored cars. [REDACTED] 25X1A
because in the past only troops headed for combat in Korea have been equipped with Soviet-made rifles. [REDACTED] 25X1A

Comment: Armor and artillery units have previously been reported in this area. There have also been reports of training of Vietnamese troops in Yunnan.

20. Imprisoned Americans reportedly soon to be judged: A traveler from Peiping reports rumors that "about 30" Americans imprisoned in China have been brought to Peiping, where their cases are soon to be examined. Those judged innocent are to be deported immediately, while those judged guilty will face "harsh penalties." (C Saigon 1286, 27 Dec 51)

Comment: Similar information has been received from another source; both reports, however, remain rumors. While the Peiping regime is not known to have executed any American nationals to date, at least two have died of ill-treatment in Communist prisons, and Peiping's laws provide for the execution of foreign as well as Chinese nationals judged guilty of "counter-revolutionary" activities..

21. KOREA. Communists seen unable at present to support an offensive of more than ten days duration: The Far East Command believes that it is "extremely doubtful" as to whether Communist forces could, at present,

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sustain an offensive of more than five to ten days duration. Granting that the enemy possesses "sufficient supplies ... in the theater to sustain a major offensive," FECOM believes that the Communist supply system in the forward areas still cannot support a sustained offensive of longer duration. [REDACTED] 25X1A

Comment: Inability to move supplies forward at a sufficient pace to keep up with attacking units has been a primary contributing factor to the failures of previous Communist offensives in Korea.

22. UN naval vessel strafed off north-central Korea: A UN destroyer southwest of Chinnampo was attacked on 28 December with cannon and machine gun fire by a single aircraft approaching from the north. No "IFF" (identification friend or foe) was received from the attacking plane. 25X1A [REDACTED]

Comment: While the variety of Communist air activity continues to increase, the scale has to date remained relatively small. This attack occurred in an area in which the enemy has been active in amphibious operations against UN-held islands.

23. ROK official claims South Korea will be self-sufficient in food production in 1952: The ROK Minister of Agriculture and Forestry stated in a press conference on 28 December that "self-sufficiency could be achieved in next year's food production." Although domestic food production will fall short of the nation's consumption requirements, the deficit will be made up by obtaining food surpluses held by the UN Civil Assistance Commission, plus a limited amount of imports. (U FBIS, 28 Dec 51)

Comment: A recent UN survey confirms that there will be no serious deficit in food production in South Korea. The ROK, however, in order to glean as much as possible from the Commission, has taken the line that there will be some shortages.

24. JAPAN. Japan Communist Party obtaining funds through smuggling activities in South Korea. A sometimes unreliable news agency states that "police sources" in Japan have reported that the Japan Communist Party is obtaining funds by smuggling into South Korea "cloth and daily essentials." The rather involved process begins with the Communists surreptitiously sending to Korea short-supply items which are sold for either South Korean won or American military payment certificates. If won is obtained, it is converted into military scrip in the Korean black market, smuggled into Japan, and finally converted into yen in the Japanese black market. (R FBIS Ticker 30 Dec 51)

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Comment: Prior to the outbreak of the war, smuggling from Japan to both North and South Korea was widespread, and undoubtedly the JCP participated to a considerable extent. With the present tight surveillance of the Korean coastline, however, smuggling activities have probably been substantially reduced.

25. Eight Japanese "economic leaders" receive invitation to April conference in Moscow: Mainichi reported on 28 December that Ichiro Ishikawa, President of the Federation of Economic Management, and seven other Japanese "economic leaders" received an invitation early this month to attend the International Economic Conference which opens in Moscow in April. The eight Japanese have agreed that it would be "very significant to peep into the Iron Curtain" and have decided to confer on the subject with ten influential financial leaders, including the President of the Japan Chamber of Commerce. (R FBIS, 28 Dec 51)

Comment: The Japanese press on 20 December announced the extension of invitations to four Japanese Communist and fellow-traveling economists. This report, however, is the first of an invitation to apparently non-fellow-traveling circles.

It remains doubtful that SCAP, if still in occupation in April, will permit these Japanese to attend.

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SECTION 3 (WESTERN)

1. GERMANY. Federal Cabinet Minister decries Adenauer's lone-hand policy: Eberhard Wildermuth, Cabinet Minister and moderate-wing leader of the Free Democrats, is concerned because Chancellor Adenauer is keeping both his Cabinet and party in the dark on the status of the contractual negotiations with the Allies. Wildermuth feels that Adenauer and his advisers are unfamiliar with the mood and views of Parliament, and that the contract will meet strong resistance when it comes up for ratification if the fragmentary information the parliamentarians now have on the subject is correct. The deconcentration and decartelization measures and the size of the German financial contribution to the European Defense Community are particularly irksome. (C Bonn unnumbered, 12 Dec 51)

Comment: Although Wildermuth made these statements several weeks ago, they probably hold today, since Adenauer has not modified his habit of withholding important information from his Cabinet and parliamentary colleagues. Adenauer has repeatedly annoyed his party and coalition members by this tactic and his recent rebuff over immediate consideration of the Schuman Plan is indicative of such irritation.

2. FRANCE. French request postponement of February NATO Council meeting: The French Foreign Office has requested a two-week postponement of the NATO Council meeting currently scheduled for 2 February in Lisbon. The Foreign Office explains that the French Assembly is expected to debate the European Defense Forces after its recess in late January.

The US State Department has expressed its strong opposition to this proposal, but indicated that it might agree to "some postponement for the convenience of the French" if it knew that agreement had been reached by the six European Defense Community powers. (S Paris 3826, 27 Dec 51; S to Paris 3720, 28 Dec 51)

Comment: Before leaving for the November NATO meeting at Rome, Foreign Minister Schuman was obliged to assure the Assembly that no commitments on the European Defense Community would be made without parliamentary approval. Current studies on a revised French military program are not expected to be completed before the Assembly recesses, and Pleven's request for postponement of the Lisbon session probably stems from a desire to attend this meeting with the prior assurance of Assembly support.

3. AUSTRIA. Ministry of Interior orders Czech refugees delivered to Soviet authorities: The Austrian Ministry of Interior has reportedly directed the gendarmerie to hand over to the Soviet authorities all persons who in the

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future illegally enter Austria from Czechoslovakia. [REDACTED]

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[REDACTED] 25X1A

Comment: In the first nine months of 1951, 1,312 refugees from Eastern Orbit countries arrived in the US Sector of Vienna and the US Zone of Austria. The great majority of these persons were Czechs and Hungarians who traversed the Soviet Zone of Austria -- with or without Austrian or US assistance.

While the Austrian Government has protested Soviet interference with traditional rights of asylum, its record with respect to these refugees is equivocal. In the Western zones of Austria, Austrian cooperation has been good; in the Western sectors of Vienna, however, refugees not in contact with Western authorities have been arrested and sentenced for illegal border crossing; in the Soviet Zone, some refugees have been turned over to the Soviet authorities, but many more have been assisted by Austrian police to escape to the West.

It is possible that the Minister of Interior has been compelled by Soviet pressure to direct a more stringent policy. Rigid enforcement of such a policy or its extension to Hungarian escapees would be a serious matter.

4. Occupation costs dispute reaches new impasse: The British and French High Commissioners in Vienna have informed US Commissioner Donnelly that they cannot agree to a US proposal to limit occupation costs for 1952 to the 1951 level. Having just returned from London, the British Commissioner stated that his government would insist on 200 million schillings per element from the Austrian Government and would not accept the "unrealistic" figure of 151 million schillings in the hope that other Austrian or American contributions would fill the gap.

Commissioner Donnelly asserts that the British and French are clearly not concerned over the Russians' sharing in any increase in occupation costs allocation and, in view of their own financial difficulties, regard support of the Austrian economy largely as a US problem. He recommends that the British and French be informed that the US will not agree to allocations in excess of the 1951 figure even if this means the breakup of quadripartite allocations, that the US will assist in working out bilateral arrangements with the Austrian Government, but that in view of the Austrian Government's economic difficulties, the US will not press for payment of the amounts now being demanded. (S Vienna 2148, 27 Dec 51)

Comment: In view of the instructions received by the British Commissioner, it would appear that he could hardly accept the compromise now recommended by Commissioner Donnelly, and that the British at least are

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prepared to shift blame for any breakdown of the quadripartite machinery to the US. It is highly doubtful that the Austrian Government, whose recent protests against the demands of the occupation powers have been sharply denounced by the French and Russians, would gain in the long run by being exposed to potential unilateral demands from the Soviet element.

5. Soviet authorities expand oil explorations: An Austrian periodical has reported that the Soviet Mineral Oil Administration (SMV) in eastern Austria has established an oil research department to explore the entire oil-producing area extending from the town of Mistelbach to the northern part of the province of Burgenland. The new department is said to possess several small mobile drilling rigs and the most modern technical equipment.

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Comment: The report is in line with previous allegations that the SMV is stepping up its search for oil in the district northeast of Vienna as well as southeast as far as the northern tip of Neusiedlersee. Inasmuch as current production from fields held by the Russians in Austria is reportedly straining available storage, refining, and transport facilities, it would appear either that a long-range expansion of these facilities is also intended or that the present output of existing wells cannot long continue.

6. ITALY. De Gasperi discusses European Army problems with General Eisenhower: Premier de Gasperi told General Eisenhower on 28 December that he believes it will be possible to get agreement on the fundamental principles of the European Defense Community by the time of the Lisbon meeting of the North Atlantic Treaty Organization, now scheduled for February. He seemed, however, to doubt that a unanimously acceptable draft treaty will be ready by then. He urged that the US persuade Benelux to go along and hoped the US could get the UK to take similar action. (S Paris 3870, 29 Dec 51)

Comment: De Gasperi's tone of pessimism was reflected in a press release following the recent meeting on the European Defense Community. Although the conferees agreed in principle on the EDC, they did not adopt the plan for supranational management at this time and were unable to agree on the form of its budget. A second conference will be held in Paris late in January.

7. UNITED KINGDOM-GERMANY. British propose German custody of war criminals: The British High Commissioner in Germany has proposed a convention, which would come into effect when the contractual agreements are signed, whereby the Germans would take over custody of the war criminals on the condition that the German Government recognize the validity of the convictions. An

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advisory tribunal, composed of one German, one neutral, and one Allied representative, would consider all questions of clemency without being able to question the correctness of the sentences. (S Bonn 863, 24 Dec 51)

Comment: There have been indications that British Government leaders favored a lenient policy toward German war criminals, but the government must reckon with a strong current of domestic opinion which protested vigorously a previous release of such prisoners and which still opposes the rearmament of Germany. In selecting about 45 minor war criminals for release just before this past Christmas, the British Foreign Office hoped to reduce the adverse political effects by the timing of the move and by emphasizing to the press that the release was not the result of German pressure arising out of the discussions of contractual relations.

8. COLOMBIA. Mission church in Bogota attacked: Two recent attacks on a newly completed Southern Baptist Mission church in Bogota were reportedly inspired by a local Catholic priest. The second attack followed an anonymous prediction of the event by a telephone call to US Ambassador Waynick and by radio. The Ambassador reports that in both attacks unreasonable delay on the part of the police permitted considerable property destruction.

The commander of the national police has now promised to provide protection and furthermore to contact the Archbishop in an effort to head off further incitations by the parish priest. (R Bogota 437, 24 Dec 51)

Comment: Although attacks on Protestant churches in outlying villages have been relatively frequent in recent years, this is the first instance of such an attack in a large city. Available evidence indicates that clergy on the parish level have been the chief instigators in certain other instances, but there is no evidence that they are supported by their ecclesiastical superiors.

9. URUGUAY. Continued stagnation of wool market causing economic strain: The US Embassy in Montevideo states that the continued stagnation of the wool market has resulted in (1) rumors of Soviet willingness to buy, (2) worry over the sharp drop in exchange earnings, and (3) the calling of high-level official meetings to consider ways and means to export wool and other agricultural commodities in order to avert a probable economic crisis. Of the new wool clip, only 10 bales have been exported since October as against 30,000 bales shipped this date a year ago. With no wool sales to earn additional dollars, the government has no choice but to limit the remaining dollar exchange to necessary purchases obtainable only in the US. (R Montevideo D-564, 14 Dec 51)

Comment: Wool is Uruguay's principal export and the US has been the major importer of this commodity.

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On 7 December, the US Embassy stated that offers for wood, frozen mutton, and salted steer hides by Iron Curtain countries had been rumored since mid-November. The Embassy commented, "apparently the attitude is being adopted that if the US will not buy, Uruguay will sell wherever outlets can be found."

Uruguay supplied Czechoslovakia and Hungary with small quantities of wool during the last wool season. Fairly small shipments of salted hides and frozen beef were made to both of these countries last year. It has been reported that Uruguay has barter agreements with Hungary, Czechoslovakia, and Rumania.

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SECTION 1 (SOVIET)

1. YUGOSLAVIA. Yugoslav employment of UN machinery in border dispute with Hungary suggested by Ambassador Allen: Ambassador Allen comments that the Yugoslav-Hungarian territorial dispute over an island in the Mura river might be a "suitable occasion for the Yugoslavs to request an investigation by the new Balkan subcommission" which the UN General Assembly has asked its Peace Observation Commission to establish. Allen states that while he does not know the Yugoslav views or intentions, he feels that if the Yugoslav Government has a strong case, as it claims, it stands to gain much by a POC investigation. In addition, Allen feels that Yugoslav utilization of UN machinery would be particularly appropriate at this time in view of the strong support recently given in the General Assembly to the Yugoslav resolution citing Cominform pressures.

If Yugoslavia does not request an investigation, but takes unilateral action against Hungary, Allen believes that world opinion may question the validity of Yugoslavia's action. (S S/S Belgrade 841, 29 Dec 51)

Comment: Heretofore the Yugoslav Government has opposed the establishment of a UN Balkan Subcommittee on Yugoslav soil. In a conversation with Ambassador Allen on 28 December, Tito gave no indication whatever of possible retaliatory steps against Hungary.

On 27 December Yugoslavia delivered a note to Hungary which protested against the organized and deliberate occupation of a Yugoslav island by Hungarian military forces on 20 December and demanded that the Hungarian soldiers immediately withdraw from this island.

The Yugoslav news organs have been playing up the incident and promising counter action in the event of a Hungarian refusal to withdraw. Thus the situation appears to be potentially explosive.

SECTION 2 (EASTERN)

2. INDOCHINA. Importance of Vietnamese right to full independence stressed: The importance of a promise of full independence to Vietnam now, to be effective when the threat of Communism has passed, was stressed by the Papal Nuncio to the Philippines upon his return from Indochina. General Romulo, the Philippine statesman, seconded this view, stating that although French forces could not be withdrawn from Indochina now, French recognition that there is a Vietnamese independence movement would lighten the task of combatting Communism. (S S/S Manila 2236, 27 Dec 51)

Comment: Despite mounting pressure in France for a solution to the

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Indochina problem, Paris has never conceded to Vietnam the right to secede from the French Union. Lacking this privilege, the majority of politically influential Vietnamese have never regarded Vietnam as truly independent.

SECTION 3 (WESTERN)

3. GERMANY. West Germans propose European scientific research body: The West German delegation at the Paris European Defense Community discussions has proposed that scientific research in selected fields be pooled by member nations. These fields cover nuclear physics, chemical and biological warfare, telecommunications, submarine development, guided missiles, and military aircraft. The plan would provide a commission to regulate such research. (S S/S Paris 3720, 21 Dec 51)

Comment: This proposal may be a German attempt to obviate the need for a contractual convention prohibiting German research in these fields. It is probably intended to permit German scientists to undertake such research in Germany without incurring Allied objections.

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